



## 98TH GENERAL ASSEMBLY

### State of Illinois

### 2013 and 2014

### SB3424

Introduced 2/14/2014, by Sen. Michael W. Frerichs

#### SYNOPSIS AS INTRODUCED:

5 ILCS 615/1	from Ch. 96 1/2, par. 5001
5 ILCS 615/2	from Ch. 96 1/2, par. 5002
5 ILCS 615/3	from Ch. 96 1/2, par. 5003
5 ILCS 615/5	from Ch. 96 1/2, par. 5005
5 ILCS 615/7	from Ch. 96 1/2, par. 5007
5 ILCS 615/8	from Ch. 96 1/2, par. 5008
5 ILCS 615/12	from Ch. 96 1/2, par. 5012
5 ILCS 615/13	from Ch. 96 1/2, par. 5013
5 ILCS 615/14	from Ch. 96 1/2, par. 5014
5 ILCS 615/16	from Ch. 96 1/2, par. 5016
5 ILCS 615/19	from Ch. 96 1/2, par. 5019
5 ILCS 615/20	from Ch. 96 1/2, par. 5020
5 ILCS 615/22	from Ch. 96 1/2, par. 5022
5 ILCS 615/6 rep.	
5 ILCS 615/9 rep.	
5 ILCS 615/11 rep.	
5 ILCS 615/17 rep.	
5 ILCS 615/18 rep.	
5 ILCS 615/21 rep.	

Amends the Oil and Gas Wells on Public Lands Act. Provides that on and after January 1, 2015, no new permits shall be issued for surface extraction activities on lands owned by the Department of Natural Resources or the federal government. Prohibits the Department of Natural Resources from entering into contracts in writing designating any person as the permittee of the State of Illinois with the exclusive right to prospect and explore public lands of the State of Illinois for the occurrence of petroleum. Repeals provisions governing certain petroleum leases, right of way over public lands and preferential rights to prospecting permits. Effective immediately.

LRB098 19999 OMW 55226 b

1 AN ACT concerning government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Oil and Gas Wells on Public Lands Act is  
5 amended by changing Sections 1, 2, 3, 5, 7, 8, 12, 13, 14, 16,  
6 19, 20, and 22 as follows:

7 (5 ILCS 615/1) (from Ch. 96 1/2, par. 5001)

8 Sec. 1. Whenever used in this Act, unless the context  
9 otherwise requires, words and terms shall have the meaning  
10 attributed to them herein:

11 (1) "Commence to drill a well": The institution of work in  
12 good faith with drilling equipment adequate for the drilling of  
13 a well to a depth that will reasonably test the oil and gas  
14 productiveness of the public lands where such well is  
15 commenced.

16 (2) "Petroleum": Any liquid or gaseous hydrocarbon  
17 occurring in nature beneath the surface of the earth.

18 (3) "Proven territory": Territory so situated with  
19 reference to known producing wells as to establish the general  
20 opinion that, because of its relation to them, petroleum is  
21 contained in it.

22 (4) "Public lands": Lands and areas belonging to, or  
23 subsequently acquired by the State or the United States,

1 including lands of every kind and nature.

2 (5) "Gross value": The value of petroleum at the well  
3 produced and saved, without deduction for expense of  
4 production.

5 (6) "Person": Any citizen of the United States or person  
6 who has, in good faith, declared his intention of becoming a  
7 citizen of the United States, or any such association of such  
8 persons, or any corporation organized and existing under and by  
9 virtue of the laws of any state or territory of the United  
10 States and authorized to do business in this State.

11 (7) "Department": The Department of Natural Resources.

12 (8) "United States": Lands and areas belonging to, or  
13 subsequently acquired by, the federal government within the  
14 State of Illinois.

15 (Source: P.A. 89-445, eff. 2-7-96.)

16 (5 ILCS 615/2) (from Ch. 96 1/2, par. 5002)

17 Sec. 2. State issuance of extraction permits; prohibited  
18 activities. Effective January 1, 2015:

19 (a) No permits shall be issued for ~~The Department of~~  
20 ~~Natural Resources shall be empowered with respect to public~~  
21 ~~lands to grant permits and leases in the name of the State of~~  
22 ~~Illinois, with the approval of the Governor in writing, for the~~  
23 ~~extraction of oil, gas and other petroleum deposits, except~~  
24 ~~that no surface extraction activities shall be performed nor~~  
25 ~~production equipment located on lands owned by the Department~~

1 of Natural Resources ~~if the State owns 100% of the underlying~~  
2 ~~mineral interests of those lands.~~

3 (b) No permits shall be issued for surface extraction  
4 activities on lands owned by the United States government.

5 (c) Extraction activities underlying lands owned by the  
6 Department of Natural Resources or the United States that  
7 utilize directional drilling techniques shall be prohibited.  
8 ~~may be permitted at the discretion of the Department. However,~~  
9 ~~the~~

10 (d) The Department shall not grant permits on leases for  
11 the extraction of oil, gas, and other petroleum deposits from  
12 State or federal public lands, including, but not limited to,  
13 the following classifications of lands if the State or federal  
14 government owns at least 51% ~~100%~~ of the underlying mineral  
15 interests: (1) lands where threatened or endangered species  
16 occur, as determined pursuant to the federal Endangered Species  
17 Act or the Illinois Endangered Species Protection Act, (2)  
18 Illinois Natural Area Inventory sites, (3) nature preserves  
19 dedicated under the Illinois Natural Areas Preservation Act,  
20 (4) lands containing a wild and scenic river as designated  
21 under the Wild and Scenic River Area Act, (5) lands registered  
22 under the Register of Land and Water Reserves under Part 4010  
23 of Title 17 of the Illinois Administrative Code, ~~and~~ (6) lands  
24 on which federal or State laws or regulations prohibit the  
25 surface extraction or production facility activity, (7) State  
26 parks, recreation areas, fish and wildlife areas, forests, and

1 historic sites, and (8) national forests, national grasslands,  
2 and national wildlife refuges.

3 (e) The grant of such permits or leases shall be subject to  
4 the terms and conditions hereinafter set forth in this Act.

5 (Source: P.A. 89-445, eff. 2-7-96; 90-490, eff. 8-17-97.)

6 (5 ILCS 615/3) (from Ch. 96 1/2, par. 5003)

7 Sec. 3. The Department shall not ~~is hereby authorized to~~  
8 enter into contracts ~~in writing~~ designating any person as ~~the~~  
9 ~~permittee of the State of Illinois with the exclusive~~ right to  
10 prospect and explore ~~not to exceed three sections, or an~~  
11 ~~equivalent area, of~~ the public lands of the State of Illinois  
12 for the occurrence of petroleum therein; ~~such contract to~~  
13 ~~contain such conditions as may be prescribed by the rules and~~  
14 ~~regulations adopted by the Department in accordance with the~~  
15 ~~terms of this Act. Such permit shall be for a period of one (1)~~  
16 ~~year or less, in the discretion of the Department, and shall be~~  
17 ~~granted free of any monetary consideration whatsoever, except~~  
18 ~~as provided in Section 13 of this Act, and except that if more~~  
19 ~~than one application for a permit is received with respect to~~  
20 ~~the same public lands the Department shall grant such permit to~~  
21 ~~the person offering the highest cash bonus therefor, and such~~  
22 ~~permittee, pursuant to such contract, shall have the right to~~  
23 ~~enter in and upon such lands and prospect and explore the same~~  
24 ~~to determine the occurrence of petroleum therein.~~

25 (Source: Laws 1951, p. 1167.)

1 (5 ILCS 615/5) (from Ch. 96 1/2, par. 5005)

2 Sec. 5. For existing permits in effect prior to January 1,  
3 2014, no ~~No~~ permittee shall commence any operation upon lands  
4 covered by his permit until he has compensated the owners of  
5 private rights therein according to law and has compensated the  
6 State of Illinois for damage to the surface rights of the State  
7 in accordance with the rules and regulations adopted by the  
8 Department.

9 (Source: Laws 1951, p. 1167.)

10 (5 ILCS 615/7) (from Ch. 96 1/2, par. 5007)

11 Sec. 7. Every permittee with an existing permit in effect  
12 prior to January 1, 2015 shall have the option of surrendering  
13 his permit at any time and shall be relieved of all liability  
14 thereunder except for physical damage to the premises embraced  
15 by his permit which have been occasioned by his operations.

16 (Source: Laws 1941, vol. 1, p. 943.)

17 (5 ILCS 615/8) (from Ch. 96 1/2, par. 5008)

18 Sec. 8. A permittee with an existing permit in effect prior  
19 to January 1, 2015, at any time during the life of the permit  
20 or upon the termination thereof, shall be entitled to a lease  
21 for the extraction of petroleum from not to exceed one section,  
22 or an equivalent area, of such land to be selected by such  
23 permittee. Such lease shall be at a royalty of not more than

1 twelve and one-half (12 1/2%) per centum of all petroleum  
2 produced and saved therefrom or the market value of such  
3 petroleum at the option of the Department, and shall provide  
4 for an annual rental, payable in advance, of from one (\$1.00)  
5 dollar to ten (\$10.00) dollars per acre, as the Department may  
6 determine, which rentals shall be credited against future  
7 royalties. Such leases shall be for a primary term of ten (10)  
8 years and as long thereafter as oil in commercial quality and  
9 commercial quantity can be produced from the lands embraced in  
10 the lease. The form and terms of such leases shall be the same  
11 as the standard commercial petroleum lease generally in use in  
12 the territory in which the oil, gas or other petroleum deposits  
13 are located, with the addition thereto of such terms as in this  
14 Act and the rules and regulations of the Department are  
15 provided. Whenever the conditions contained in such standard  
16 commercial lease are in conflict with the provisions of this  
17 Act, the provisions of this Act shall control.

18 (Source: Laws 1951, p. 1167.)

19 (5 ILCS 615/12) (from Ch. 96 1/2, par. 5012)

20 Sec. 12. For existing permits prior to January 1, 2015, the  
21 ~~The~~ Department is hereby authorized to cancel any permit or  
22 lease issued as provided herein for nonpayment of royalties or  
23 nonperformance by the permittee or lessee of any provision or  
24 requirement of the permit or lease: Provided, that before any  
25 such cancellation shall be made, the Department shall mail to

1 the permittee or lessee by registered mail, addressed to the  
2 post office address of such permittee or lessee shown by the  
3 records of the office of the Department, a notice of intention  
4 to cancel such permit or lease specifying the default for which  
5 the permit or lease is subject to cancellation, and if, within  
6 thirty (30) days after the mailing of said notice to the  
7 permittee or lessee, he shall remedy the default specified in  
8 such notice, then no cancellation of the permit or lease shall  
9 be entered by the Department, but otherwise, the said  
10 cancellation shall be made and all rights of the permittee or  
11 lessee under the permit or lease shall thereupon automatically  
12 terminate: Provided, further, that failure to pay fees required  
13 under permits within the time prescribed therein shall  
14 automatically and without notice work a forfeiture of such  
15 permits and of all rights thereunder.

16 (Source: Laws 1951, p. 1167.)

17 (5 ILCS 615/13) (from Ch. 96 1/2, par. 5013)

18 Sec. 13. Upon the expiration or forfeiture of any existing  
19 permit prior to January 1, 2015 no new permit covering the  
20 lands, or any of them, embraced by such expired or forfeited  
21 permit shall be issued for a period of thirty (30) days  
22 following the date of such expiration or forfeiture. If more  
23 than one application for a permit covering such lands, or any  
24 of them, shall be made during such thirty-day period, the  
25 Department shall issue a permit to such lands, or any of them,

1 to the person offering the greatest cash bonus for such permit  
2 at a public auction to be held at the time and place and in the  
3 manner as the Department shall by regulation prescribe. Such  
4 auction shall be held at any time after the expiration of such  
5 thirty-day period and the only notice thereof shall be by  
6 entering in a book kept at the office of the Department for the  
7 purpose, which book shall be a public record, the date, place  
8 and hour of the holding of such auction.

9 (Source: Laws 1951, p. 1167.)

10 (5 ILCS 615/14) (from Ch. 96 1/2, par. 5014)

11 ~~Sec. 14. Whenever the Department shall find it is in the~~  
12 ~~best interest of the State and of the production of petroleum,~~  
13 ~~it is declared to be lawful for the State, the permittees,~~  
14 ~~lessees, operator or any person owning or controlling royalty~~  
15 ~~or other interest in separate properties of the same producing~~  
16 ~~or prospective petroleum field, to enter into agreements with~~  
17 ~~themselves or among each other, subject to the approval of the~~  
18 ~~Department, for the purpose of cooperative exploration,~~  
19 ~~development and operation of all or a part or parts of such~~  
20 ~~field, or for the purpose of the exploration, development or~~  
21 ~~operation of all or part or parts of such field as a pool or~~  
22 ~~unit, and for the purpose of fixing the time, location and~~  
23 ~~manner of drilling and for the purpose of drilling and for the~~  
24 ~~purpose of regulating the location, sequence and number of~~  
25 ~~exploratory wells required in the case of permits under unit~~

1 ~~operations and leases, and operating of wells for the~~  
2 ~~exploration of petroleum on State and private lands and for the~~  
3 ~~apportionment and division of the petroleum between the State~~  
4 ~~and the several owners of land embraced within the field so~~  
5 ~~placed in such pool, taking into consideration the relative~~  
6 ~~character and geological showing in respect of said several~~  
7 ~~tracts of land so far as the same is reasonably ascertainable,~~  
8 ~~the apparent probability of producing petroleum from the whole~~  
9 ~~or any part thereof and any and all other apparent factors that~~  
10 ~~may tend to aid in arriving at a fair, just and equitable~~  
11 ~~participation by the State and the several owners in the~~  
12 ~~apportionment and distribution of all the petroleum that shall~~  
13 ~~be recovered and saved therefrom.~~ The purpose of this section  
14 is to prohibit ~~encourage~~ the development and exploration of  
15 petroleum upon State and federal lands by and through the unit  
16 plan of development. ~~When it is in the best interests of the~~  
17 ~~State, the Department shall compel the adoption of unit plans~~  
18 ~~of operation in so far as State lands are included in any~~  
19 ~~productive pool or pools if the permittees or lessees of such~~  
20 ~~lands shall fail to agree upon a plan of unit operation~~  
21 ~~acceptable to the Department, the Department is empowered to~~  
22 ~~fix the terms of such unit plan or plans and any permittees or~~  
23 ~~lessees affected who fail to abide by such plan shall suffer~~  
24 ~~forfeiture of their permits or leases upon notice as herein~~  
25 ~~provided.~~

26 (Source: Laws 1951, p. 1167.)

1 (5 ILCS 615/16) (from Ch. 96 1/2, par. 5016)

2 Sec. 16. The Department is hereby required to prescribe and  
3 publish, for the information of the public, all reasonable  
4 rules and regulations necessary for carrying out the provisions  
5 of this Act, and it may amend or rescind any rule or regulation  
6 promulgated by it under the authority contained herein:  
7 Provided, that no rule or regulation or amendment of the same  
8 or any order rescinding any rule or regulation shall become  
9 effective until after fifteen (15) days from the promulgation  
10 of the same by publication in a newspaper of general  
11 circulation published at the State capital and shall take  
12 effect and be in force at times specified therein. All rules  
13 and regulations of the Department and all amendments or  
14 revocations of existing rules and regulations shall be recorded  
15 in an appropriate book or books, shall be adequately indexed  
16 and shall be kept in the office of the Department and shall be  
17 and constitute a public record. Such rules and regulations of  
18 the Department ~~shall be printed in pamphlet form and~~ furnished  
19 to the public free of cost on the Department's website.

20 (Source: Laws 1951, p. 1167.)

21 (5 ILCS 615/19) (from Ch. 96 1/2, par. 5019)

22 Sec. 19. For ~~After the issuance of~~ any petroleum lease in  
23 effect before January 1, 2015, the lessee shall ~~proceed to~~  
24 develop the petroleum in the lands covered thereby through the

1 drilling of such wells as will efficiently extract the  
2 petroleum therefrom and such development shall take into  
3 account the productiveness of the producing horizon, the depth  
4 at which it occurs, the average cost of wells, the market  
5 requirements obtaining at any given time, and the maintenance  
6 of proper oil and gas ratios. The Department shall determine,  
7 either by rule or regulation, or by inclusion in the terms of  
8 any lease, the rapidity and extent of development of the oil,  
9 gas or other petroleum field embraced by such lease.

10 (Source: Laws 1951, p. 1167.)

11 (5 ILCS 615/20) (from Ch. 96 1/2, par. 5020)

12 Sec. 20. All existing leases prior to January 1, 2015 shall  
13 provide that the lessee shall drill an offset well to any well  
14 on adjoining land which is within three hundred fifty (350)  
15 feet of any outer boundary of the land covered by the lease,  
16 and which well on adjoining lands is producing petroleum in  
17 paying quantities and draining the lands covered by the lease,  
18 such offset to be begun within ninety (90) days from the  
19 completion of the adjoining well and drilled with due diligence  
20 to completion.

21 (Source: Laws 1941, vol. 1, p. 943.)

22 (5 ILCS 615/22) (from Ch. 96 1/2, par. 5022)

23 Sec. 22. Nothing contained in this Act shall be construed  
24 as requiring the Department to offer any tract or tracts of

1 land for prospecting or lease, ~~but the Department shall have~~  
2 ~~power to withhold any tract or tracts from prospecting or~~  
3 ~~leasing for petroleum purposes, if in its judgment the best~~  
4 ~~interest of the State will be served by so doing.~~

5 (Source: Laws 1951, p. 1167.)

6 (5 ILCS 615/6 rep.)

7 (5 ILCS 615/9 rep.)

8 (5 ILCS 615/11 rep.)

9 (5 ILCS 615/17 rep.)

10 (5 ILCS 615/18 rep.)

11 (5 ILCS 615/21 rep.)

12 Section 10. The Oil and Gas Wells on Public Lands Act is  
13 amended by repealing Sections 6, 9, 11, 17, 18, and 21.

14 Section 99. Effective date. This Act takes effect upon  
15 becoming law.